Manitoba

Annual Report
1987 - 88

Finance

90-00815/

Manitoba

Minister of Finance

103 Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

March 31, 1988

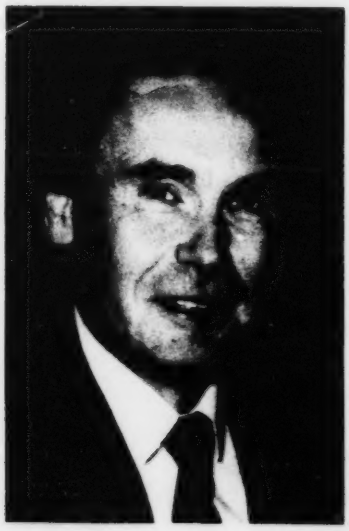
His Honour George Johnson
Lieutenant-Governor of the Province of Manitoba
Winnipeg, Manitoba

May It Please Your Honour:

I have the honour of presenting herewith the Annual Report of the Department of Finance of the Province of Manitoba for the Year 1987-88

Respectfully submitted,

Clayton Manness
Minister of Finance



Manitoba

Deputy Minister of Finance

Room 109
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March 31, 1988

The Honourable Clayton Manness
Minister of Finance
103 Legislative Building

Sir:

I have the honour of presenting herewith the Annual Report of the Department of Finance of the Province of Manitoba for the Year 1987-88

Respectfully submitted,

Charles E. Curtis
Deputy Minister of Finance

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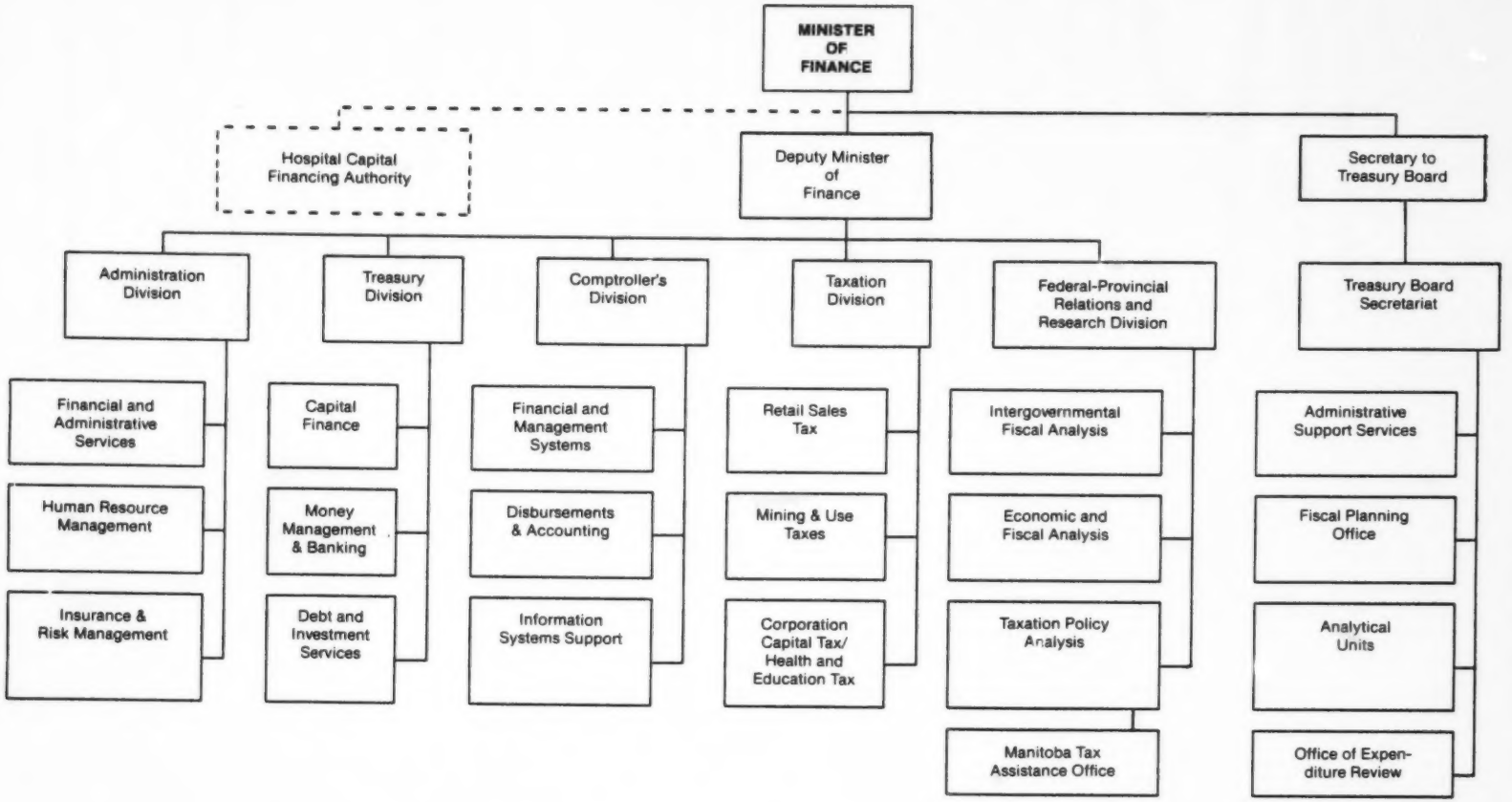
Organization Chart — Manitoba Finance — 1987-88



Role and Mission Statement

The Minister of Finance is Chairperson of Treasury Board, and through the Department, manages the Consolidated Revenue Fund and directs the financial affairs of the Province. The overall responsibilities of the Minister and the Department include:

— Providing policy direction on matters relating to financial management and administration

— Analyzing and appraising the economic situation and prospects in Manitoba in co-operation with other Ministries as appropriate

— Advising on fiscal and other economic policies and measures

— Managing the requirements of the Province within appropriate fiscal and administrative policies, by action related to expenditures, lending, taxation, borrowing and cash management

— Advising on policies relating to Federal-Provincial fiscal and economic relations

— Representing the Province in negotiations and participating in meetings related to finance, taxation and economic development

— Maintaining the provincial accounting and financial reporting systems

— Providing direction to Government for the appropriate and effective use of information systems technology

— Providing insurance and risk management services to all Government Departments, Agencies and certain Crown Corporations

Overview

Manitoba Finance was established in 1969. Prior to then two departments, the Comptroller-General and the Treasury, both functioned under The Treasury Act. The Comptroller-General became the Provincial Auditor operating under The Provincial Auditor's Act and the Treasury became the Department of Finance, operating under The Financial Administration Act.

During the period covered by this report - April 1, 1987 to March 31, 1988 - the Department was comprised of five operating divisions;

— Administration

— Treasury

— Comptroller's

— Taxation

— Federal-Provincial Relations and Research

and a Treasury Board Secretariat, headed by a Secretary to Treasury Board, reporting to the Minister of Finance as Chairperson of Treasury Board.

Administration Division

The Administration Division is composed of three branches and is responsible for providing central management and administrative support services to the Department including financial and accounting services and human resource management services. Insurance and risk management services are provided to all departments and agencies.

The three branches:

— Financial and Administrative Services

— Human Resource Management

— Insurance and Risk Management

Financial and Administrative Services Branch

The Branch, with a staff of four, performs all accounting, financial, budgeting and general administrative services for the Department. The Branch processes all departmental expenditures and revenues. This includes the processing of all departmental payments to suppliers of goods and services and the initiation of input to the central Government computerized accounting systems. It is responsible for the propriety, accuracy and completeness of accounting and financial information and the summarizing of related statistical data.

The budgetary function includes the co-ordination of comprehensive fiscal budget support services to the departmental divisions. This consists of the preparation and presentation of the Department's annual budget estimates, ongoing budget analysis, cash flow statements, the monitoring of expenditures and revenues and the provision of related reports to departmental management and Treasury Board.

Administrative functions include management of the departmental vehicle fleet, parking, co-ordination and acquisition of telephone and other communication requirements, monitoring departmental purchasing activities and assisting with the management of departmental programs and administrative requirements.

Human Resource Management Branch

The Human Resource Management Branch, with a staff of five, exists for the purpose of providing effective and efficient human resource management programs and services as may be required to achieve departmental goals and objectives.

Key result areas include:

— Payroll, records, systems and benefits administration

— Position classification, recruitment, selection and employee orientation

— Organizational planning and staff utilization, including performance evaluation

— Staff development and training, including the seconded trainers program

— Labour relations and counselling services

— Implementation of Affirmative Action programs

— Management consulting, including services in design, development and delivery of Department originated training courses

— Workplace Safety and Health programs

— Administration of Conflict of Interest Guidelines

During the fiscal year 1987-88 the Human Resource Management Branch performed 500 transactions related to staffing and 216 transactions related to employee turnover. The Branch, under delegated staffing authority from the Civil Service Commission, conducted 37 selection boards to fill departmental staff vacancies during the 1987-88 fiscal year.

The Branch maintains records of participation by Finance employees in the Civil Service Commission Development and Training program and encourages participation from all employee levels. During the fiscal year 1987-88, a total of 87 employees (or 21.33% of Finance staff) utilized this program through the Branch.

Insurance and Risk Management Branch

The responsibility of the Insurance and Risk Management Branch is to centralize the insurance function for Province of Manitoba Departments and Agencies, and to actively manage the risk exposures, or chances of unexpected loss, faced by these Departments and Agencies.

Risk management recognizes that an organization can reduce the financial impact of unexpected losses by identifying and evaluating the possibilities of loss and taking appropriate measures to reduce or eliminate these losses. The number of losses can be reduced through risk avoidance, risk control and risk transfer methods. The monetary impact of losses can be reduced by risk financing methods including the purchase of insurance and proper use of loss funding alternatives.

In 1987-88 the Branch purchased insurance coverages for government departments and agencies at a total premium cost of approximately $2.2 million. These coverages protected physical assets valued at approximately $2 billion, including Provincially-owned buildings, aircraft, airports, and passenger ferries.

The Insurance and Risk Management Branch, which has a staff of four, administers insurance-related property losses and liability incidents for government departments and agencies. In 1987-88 — 332 property incidents were reported with approximate damages totalling $1.3 million, 246 potential liability incidents were reported with claim reserves set at $340,000, and 17 crime-related losses were reported with damages of approximately $83,000.

Personnel from the Insurance and Risk Management Branch participated in numerous seminars explaining insurance coverages and potential liability exposures faced by government departments and agencies, and their employees. As well, property assessments and loss prevention surveys were conducted of the Brandon and Selkirk Mental Health Centres, and the Gull Harbour Resort Hotel.

The Insurance and Risk Management Branch reviewed leases, rental agreements, consulting contracts and other documents for insurance and liability provisions on behalf of government departments and agencies, and worked with the Attorney-General's Department in promoting the use of standardized contracts.

The Insurance and Risk Mangement Branch provided guidance regarding insurance provisions in current and planned legislation including a proposed Canada-wide vaccine injury compensation plan. Other projects included a proposed self insurance plan for Manitoba health care facilities, and a project involving the liability insurance requirements of Government-funded agencies.

Organizational Change in Administration Division

The Administrative Policy Branch, formerly included in the Administration Division, was transferred to the Treasury Board Secretariat effective September 1987.

Treasury Division

The Treasury Division was created as a separate entity in 1976 due to the need for placing greater emphasis on the management of substantial amounts of money, debt and investments. Since that time volumes and dollar values have increased significantly, requiring the development of currency and interest rate risk management programs. In the absence in the Province of separate agencies to assist in the financing of municipalities, schools and hospitals, the Treasury Division ensures that such financing is arranged.

The Division maintains regular contact with the world financial community to inform more than 100 domestic and foreign financial corporations and rating agencies of the policies and economic performance of the Province.

The Treasury Division is divided into four functional areas:

— Administration

— Capital Finance Branch

— Money Management and Banking Branch

— Debt and Investment Services Branch

Administration

The Administration function has been allocated two staff years for the performance of the following functions:

— General Management of the Treasury Division

— Contact with the world financial community

— Investment of sinking funds and other long-term investment accounts

— Establishing interest rates for loans to Crown Corporations, Government Agencies, school boards, hospitals and municipalities

— Provision of management and financial advisory services to government departments, agencies and investment funds

Capital Finance Branch

The Capital Finance Branch of the Treasury Division, formerly referred to as the Debt Management Branch, has been allocated five staff years for the performance of the following major functions:

— Managing the borrowing programs of the Government, Crown Corporations, Government Agencies and other loan programs

— Administering provincial investment in, and advances to, Crown Corporations, Government Agencies and other loan programs

— Managing sinking funds of the Province, Crown Corporations and Government Agencies

— Acting in an advisory capacity to Crown Corporations, Government Agencies and managers of other loan programs regarding the respective organization's policies and procedures related to capital financing

Borrowing

The borrowing program of the Government, its Crown Corporations and Government Agencies aggregated approximately $1.77 billion in 1987-88, $768 million for General Government Programs and $1.01 billion for Self-Supporting programs. The aggregate amount of Province of Manitoba direct and guaranteed debt outstanding at March 31, 1988 using March 31, 1988 Foreign Exchange rates for conversion of foreign issues was $11.87 billion ($10.75 billion at March 31, 1987) of which $6.43 billion ($5.54 billion at March 31, 1987) was for General Government Programs. The Capital Finance Branch actively monitors the global capital markets and manages the outstanding debt by pursuing various financial proposals such as foreign currency swaps and redeeming debt issues prior to maturity to replace them with less expensive financing. During 1987-88 the Branch negotiated five swap transactions, represented by four currency exchange agreements whereby the Province changes its liability for principal and interest from Japanese Yen, Swiss Francs and U.S. Dollars to either Canadian or U.S. Dollar Liabilities and one interest rate swap whereby the Province exchanged its interest payment obligations from Swiss Francs to Canadian Dollars. In addition, the Branch also arranged for the call of two issues in advance of their maturity and arranged refinancing at considerably lower interest rates.

The Branch is responsible for meeting the ongoing reporting and filing requirements of all markets in which the Government has borrowed money. During 1987-88, a prospectus and related agreements were prepared for each of the Province's six foreign issues. As well, three major reports and filing documents were prepared for regulatory agencies.

The Branch also co-ordinated presentations to the various rating agencies who evaluate the credit worthiness of the Province.

Investment

The Capital Finance Branch administers the government's non-budgetary investment activities through advances to and/or equity investments in various Crown Corporations, Government Agencies and

other loan programs. During 1987-88 an aggregate amount of $923.5 million of such investments were made while $277.7 million of principal was recovered. At March 31, 1988 the aggregate amount of advances and equity investments outstanding exceeded $4.2 Billion.

Sinking Funds

Sinking Funds of the Province of Manitoba, its Crown Corporations and Government Agencies are managed by the Capital Finance Branch. At March 31, 1988 the provincial sinking fund amounted to $1.3 billion, up 23% from $1.1 billion at March 31, 1987. Sinking funds of the Crown Corporations and Government Agencies totalled $271.6 million at March 31, 1988 down 2.9 % from 1987. The Capital Finance Branch determines the amount of all the cash flow of these funds for investment purposes.

Other Responsibilities

The Capital Finance Branch also acts in an advisory capacity to Crown Corporations and Government Agencies and makes recommendations respecting each organization's policies and procedures related to the financing of their programs. All existing and proposed legislation of a financial nature is reviewed to ensure that the objectives of the Crown Corporation or Government Agency are met and that there is legislative consistency among the various entities.

The Branch is responsible for operating the Manitoba Hospital Capital Financing Authority, which assists operators of hospitals to finance their capital expenditures.

The Branch is also responsible for the management of the accounts of Manitoba Properties Inc. a Corporation owned by the Province for the purpose of purchasing provincial properties which are then leased back to the Province.

Money Management and Banking Branch

The Money Management and Banking Branch of the Treasury Division has been allocated six staff years for the performance of the following major functions:

— Managing the Government's monetary resources

— Managing the short term investment and borrowing programs for the Government

— Administering trust money deposited with the Minister of Finance by Crown Corporations, agencies and departments

— Managing the banking operations of the Government

Money Management

The Money Management and Banking Branch prepares cash flow forecasts detailing the Government's anticipated daily receipts and expenditure, including its trust administration activities. Management of daily bank balances and timing of long term borrowing is determined as a result of these cash flow forecasts.

During 1987-88, the Money Management program involved managing the cash flow for over 1,500,000 cheques representing $8 billion of transactions processed through the Government's disbursement system and over 600,000 cheques, money orders, drafts and other items representing approximately 10,000 bank deposits processed through the receipts-handling system of the Government.

Investment Borrowing

Monitoring and management of the Government's cash flow during 1987-88 resulted in the Branch arranging 1,300 short term investment transactions aggregating over $12.0 billion of investment purchases and $1,394 million of investment sales. The Branch also arranged for the issue of $543 Million of Promissory Notes to finance temporary short-falls resulting from differences in the timing of Government payments and receipts. Interest earned on these short term investments amounted to over $70.0 million while interest paid on the Promissory Notes issued was approximately $2.0 million. The Branch monitored the credit status of approximately two dozen approved investments and maintained appropriate exposure limits for each, recommending changes where necessary to minimize risk.

Trust Administration

Over 50 Departments, Agencies and Crown Corporations are required to deposit surplus funds with the Minister of Finance in interest-bearing trust deposits. These trust funds averaged approximately $650.0 million in 1987-88. In excess of 2,400 trust deposit receipts were issued in 1987-88 and 2,000 payment vouchers processed by the Branch in respect to these deposits. Interest paid on these trust accounts in 1987-88 was in excess of $51.0 million.

Banking Operations

The Branch maintained a central index of approximately 700 accounts representing all Province of Manitoba bank accounts in all financial institutions in the Province. These accounts included Manitoba Public Insurance Corporation agents' accounts.

Debt and Investment Services Branch

The Debt and Investment Services Branch of the Treasury Division has been allocated nine staff years for the performance of the following major functions:

— Servicing the debt of the Province of Manitoba in accordance with all the terms and conditions pertaining thereto

— Servicing the investments of the Province of Manitoba and certain Crown Corporations and Government Agencies, including the maintenance of safekeeping operations for securities owned or held by the Minister of Finance at a number of locations in Canada, the United States of America, Germany, Switzerland, Japan and the United Kingdom

— Preparation, revisions and analyses of Public Debt and Energy Rate Stabilization estimates

Debt Servicing

The Province acts as its own transfer agent on all of its Canadian Dollar denominated securities and on some of its U.S. Dollar denominated securities. During the fiscal year ended March 31, 1988, 13,812 debentures and savings bonds were presented for transfer or exchange. These securities, with a dollar value of over $1.0 billion required 9,555 new securities, to be issued. As well, new Canadian Dollar debenture issues, totalling $575 million, required 4,638 debentures to be issued and registered and an issue of Manitoba Investment Savings Certificates with a total value of $32.7 million required the issue of 15,783 Certificates.

Deutsche Marks, Japanese Yen, Swiss Francs and U.S. Dollars were purchased to service the foreign debt obligations of the Province. New foreign borrowings requiring the sale of foreign currencies were denominated in Japanese Yen, Swiss Francs, and U.S. Dollars. Details of foreign currency purchases and sales during the year were as follows:

As at March 31, 1988, the Direct Debt serviced by the Branch aggregated over $8.9 billion. This represented 25 issues payable in Canadian Dollars, 20 issues payable in U.S. Dollars, 13 issues payable in Swiss Francs, eight issues payable in Japanese Yen and four issues payable in Deutsche Marks, as well as Treasury Bills, debentures payable to the Receiver General for Canada, and loans from the Government of Canada under special agreements.

Investment Servicing

Sinking fund investments of the Province of Manitoba, its Crown Corporations and Government Agencies are serviced by this Branch. Investment earnings of $175.7 million and principal maturing with a book value of $72.9 million were collected and deposited during 1987-88.

As well as the sinking funds, this Branch also services the long term investments of major accounts such as the Manitoba Public Insurance Corporation, the Civil Service Superannuation Fund, and Workers' Compensation Board and provides a securities safekeeping operation for these and other accounts, including the Public Trustee. The Branch also services the short-term investments of the Province. As well as ensuring that payments and receipts are made efficiently, this service provides for the safekeeping of these investments at locations throughout Canada. This involved the issue of 2,675 safekeeping records covering purchases, sales and maturities in 1987-88 with a total dollar value of $24.5 billion.

In order to meet its responsibilities in Debt and Investment Services, the Branch operated a payment voucher and Emergency Cheque System for the Division. During 1987-88, 4,285 cheques were issued with a total value of $5.1 billion.

FOREIGN CURRENCY ACTIVITY
April 1, 1987 — March 31, 1988 (millions)

	Deutsche Marks	Japanese Yen	Swiss Francs	U.S. Dollars
Purchases	67.7	18,361.3	108.1	$ 204.6
Sales	—	39,295.5	192.8	197.8
	67.7	57,656.8	300.9	$ 402.4
Transactions	13	76	62	79

Comptroller's Division

The Comptroller's Division is responsible for effectively operating and maintaining the central financial management and accounting system of the Province. Its goal is to effectively support the decision-making process of central government with financial and management information, advice and analysis. The Division operates under the direction of the Comptroller. In order to fulfill these responsibilities the Division is organized into three branches:

— Financial and Management Systems Branch

— Disbursements and Accounting Branch

— Information Systems Support Branch

Financial and Management Systems Branch

The Financial and Mangement Systems Branch is responsible for developing, monitoring, evaluating and communicating government-wide financial and management policies, systems, processes and procedures to ensure the effective, efficient and economical operation of departmental financial and management functions. In addition, the Branch is responsible for co-ordinating the majority of the Department of Finance's electronic data processing activities.

In order to fulfill these responsibilities the Branch has a staff complement of 17 and was functionally organized into three operating units:

— Financial Systems

— Management Practices

— Electronic Data Processing

During 1987-88 the Branch undertook a number of new initiatives. These included developing a co-operative process to resolve the concerns of the Provincial Auditor's Office, issuing discussion papers on government pension liabilities, integrating financial systems and developing a comprehensive E.D.P. Strategy for the Department of Finance.

As well, the Branch continued to communicate and solidify previous policy initiatives by delivering to government departments a number of financial and management training seminars.

Disbursements and Accounting Branch

The role of the Disbursements and Accounting Branch is to provide central processing, accounting and control for all receipts to, and disbursements from, the Consolidated Fund in accordance with governing legislation and established accounting policies and procedures. This Branch maintains the official accounting records of the Government and prepares financial statements and reports for presentation to the legislature, the Public and for central and departmental use. The Branch also ensures that functional direction and guidance over the receipt and disbursement of public funds will be provided to departments in a comprehensive form, resulting in appropriate financial processes within the Province of Manitoba.

In order to perform its mandate, the Branch, with a staff of 65, has been organized into five sections. These are:

— General Accounting

— Payroll Accounting

— Voucher Accounting

— Data Entry Support

— Shared Cost Agreements

During 1987-88, the Branch prepared, signed and issued 496,302 payroll cheques and 565,194 cheques to corporations, firms, individuals, other governments and government agencies based on documents and supporting information submitted by the Government's operating departments. The Branch also signed and issued 502,312 social program cheques and 77,707 housing grant cheques.

Information Systems Support Branch

The Information Systems Support Branch is responsible for the development and maintenance of government-wide strategies for information systems management. It also provides analytical support to Treasury Board in monitoring compliance with resultant policies, procedures and guidelines as well as providing education and training programs and consultative support services. Overall, the Branch is concerned with promoting the cost-effective and economic use of information technology in the public sector.

1987-88 saw the development and approval by Treasury Board of the "Information Technology Strategy for the Manitoba Government." Implementation of the strategy's recommendations will proceed on a phased-in basis.

Information technology training was provided to over 1500 employees including several special request courses and major seminars on Security/Disaster Recovery. Six issues of the Branch Bulletin were published.

Consultative support was provided to 17 government departments and over 160 technical support requests were handled. Project management skills were extended to the Treasury Board Secretariat in selection of an office automation system.

The Branch, with a staff of 18, is divided into three operating units:

— Policy Development and Administration

— Training and Education

— Support Services

Taxation Division

The Taxation Division is charged with the responsibility of administering all Provincial taxation statutes (with the exception of Income Tax) to maximize revenues properly due under those Acts. The Provincial Income Tax Acts are administered by the Federal Government on behalf of the Province.

In 1987-88 Division revenues were estimated to be $1,175,455,000, whereas actual revenues exceed this amount by some $5,800,000 to reach $1,181,354,000 including $16,164,715 of audit and compliance recoveries. The operations were carried out at a cost of $7,850,800 ($138,500 below budget) representing .7% of revenues or a net return of $150 for every $1 expended.

The Division is responsible for the continuing phase-out of The Succession Duty Act, S215. This Act has been suspended and was made applicable only to estates of persons dying prior to October 11, 1977 and subsequent to December 31, 1971. For the most part the 1987-88 revenues of $78,521 represented interest on Succession Duties imposed upon estates where the actual payment of duty is deferred until the final successor actually takes possession of their succession.

The Division is composed of three branches:
— Retail Sales Tax Branch

— Mining and Use Taxes Branch

— Corporation Capital Tax/Health and Post Secondary Education Tax Levy Branch

The Retail Sales Tax Branch

The Retail Sales Tax Branch operated in 1987-88 at a cost of $3,446,200, less than a 5% increase over 1986-87, with a staff of 90. The Branch's revenues for 1987-88 amounted to $566,998,872, a 22.5% increase over 1986-87 revenues. Included in 1987-88 revenues is $12,267,730 from audit and inspection activities.

The Branch administers The Retail Sales Tax Act which provides for a tax on tangible personal property consumed in, purchased in or brought into Manitoba, as well as upon certain services. A number of exemptions are allowed. The general tax rate, which is presently 7%, was increased from 6% on May 4, 1987. Wine, spirits and imported beer continue to be taxed at 12%.

During the year the Branch processed 219,280 sales tax returns from tax collectors/taxpayers.

The following are some of the many other activities that were performed by the staff relative to the administration and enforcement of The Retail Sales Tax Act.

— Maintained a tax roll on all registered businesses that collect and/or pay the tax, which included processing 4,760 new businesses registrations and 3,800 terminations
— Controlled the issuance and usage of 152,000 prenumbered tax reporting forms by Autopac Agents and the Driver and Vehicle Licencing Division of the Department of Highways and Transportation
— Processed and paid 13,000 refund claims from taxpayers, totalling $5,114,870
— Made a total of 37,000 calls by compliance staff, either by telephone or in person, on tax collectors/taxpayers for the purpose of informing them of the tax requirements, verifying refund claims, obtaining information for the tax roll, collecting delinquent tax returns and arrears, and inspecting business records
— Collected $5,874,390 tax revenue from inspection of business records and other compliance activities
— Received payments totalling $2,625,660 as a result of the Administrative Collection Group's follow-up on some larger accounts during the year
— With audit staff resources, audited the records of 700 businesses, which resulted in the recovery of $6,393,340 tax revenue
— Carried out, in cooperation with other provinces, a joint audit of the 1984-85 tax payments made by the Federal Government under the Reciprocal Taxation Agreement
— Implemented the tax rate increase, from 6% to 7%, and other retail sales tax changes included in the Budget

The Mining and Use Taxes Branch

The Mining and Use Taxes Branch operated in 1987-88 at a cost of $2,211,700, less than a 5% increase over 1986-87 with a permanent staff of 51 and represented .6% of revenues or a net return of $167 for every dollar expended. The Branch's revenue for 1987-88 amounted to $368,281,101, a 3% increase over 1986-87 revenues. Included in 1987-88 revenues is $4,108,050 of audit recoveries and $412,374 in compliance recoveries which would otherwise have been lost.

The Branch administers the following statutes:

The Gasoline Tax Act — imposes a per litre tax on all purchases of gasoline, aviation gasoline and gasohol subject to certain exemptions for farm operations, fishing, trapping and logging. In 1987-88 the tax was collected through some 1,500 retail dealers and 33 collectors and amounted to $119,550,305. Tax rates throughout 1987-88 were: leaded gasoline 8.9 cents per litre, unleaded gasoline 8.0 cents per litre, leaded gasohol 6.4 cents per litre, unleaded gasohol 5.5 cents per litre and aircraft gasoline 4.8 cents per litre.

The Mining Tax Act — imposed a tax of 18% of the profit on mining operations. Revenues from this source in 1987-88 amounted to $28,297,000.

The Motive Fuel Tax Act — imposes a per litre tax on all purchases of petroleum products that can be used in the operations of an internal combustion engine or for commercial heating and are not taxable under The Gasoline Tax Act subject to certain exemptions for farm operations, fishing, trapping, home heating and logging. The tax in 1987-88 was collected and remitted by 37 appointed collectors and directly by certain interprovincial truckers and amounted to $71,561,908. Tax rates per litre through 1987-88 (unless otherwise noted) were as follows:

	Per Litre
Diesel — on-highway	9.9 cents
Diesel — off-highway	7.5 cents
Locomotive fuel	13.6 cents
Commercial heating oil	1.9 cents
Bunker	1.7 cents
Propane — on-highway (full tank)	5.7 cents
Propane — heating	1.6 cents
Propane — off-highway	4.3 cents per Kg.
Natural Gas used in internal combustion engines	7.0 cents per Kg. Discontinued November 1, 1987

The Oil and Natural Gas Tax Act — levies a tax on the value of production of oil from freehold lands. The tax rate was dependent upon cubic metres and value of production and whether the oil wells were "new" or "old". Revenue from this tax in 1987-88 amounted to $8,357,582.

The Pari Mutuel Tax Act — provides for a tax on the amount bet by every person who bets through the agency of a pari mutuel system. Rates throughout 1987-88 were 7.5% of the amount bet except for races with three or more horses where the rate was 12.5%. Revenue from this source for 1987-88 amounted to $5,193,472 most of which is returned to the horse-racing industry in the form of purse support grants administered through the Department of Business Development and Tourism.

Part 1 of The Revenue Act, 1964 — imposes a tax on the purchase price of electricity, natural and manufactured gas delivered by a pipeline and coal and derivatives thereof. The rate increased May 4, 1987 from 6% to 7%. The tax was collected and remitted by 80 licensed dealers and amounted to $41,414,144 in 1987-88. Special exemptions were provided for heating residential premises and farm buildings.

The Tobacco Tax Act — imposes a tax on the purchase of cigarettes, cigars and any other tobacco products including snuff. The rates for most of 1987-88 were 4.6 cents per cigarette, 1.6 cents per gram of tobacco and 2 1/2 cents to $1.15 on cigars priced from 6 cents to $2.25. The tax was collected by 39 collectors and amounted in 1987-88 to $93,906,690.

During the four years ended March 31, 1988 the activities of the Compliance staff have reflected an increased emphasis on the laying of charges for tax evasion as the result of taxpayer failure to remit taxes, smuggling, or other illegal activities as follows:

	Year Ended March 31			
	1988	1987	1986	1985
Active tax investigations with potential criminal charges	70	79	25	8
Court convictions by type:				
Tobacco inventory — false return	16	7	4	3
Possession-untaxed tobacco (smuggling)	17	4	2	—
Other tobacco tax offences	2	—	—	—
Failure to remit fuel taxes	1	7	4	—
Failure to report fuel imports	1	3	1	—
Other fuel tax offences	4	6	3	—
TOTAL	41	27	14	3
In addition the following charges were laid re purple fuel in vehicles	139	259	309	392
Additional taxes collected from: Compliance activities	$412,374	$370,583	$371,867	N/A

	1987-88	1986-87
Competition Assistance Grants to approximately 115 service stations and bulk plants (discontinued June 22, 1987)	$ 555,149	$ 2,140,469
Refunds to truckers, railways, etc. for fuel taken out of Manitoba	$10,913,602	$13,864,953
Other refunds	$ 756,114	$ 1,736,328

The Branch continued the program developed in April 1986, which afforded Manitoba farmers the opportunity of purchasing U.S. fuel at lower prices than were available at that time from Canadian sources. This action had the effect of reducing farm fuel prices across Manitoba. The program consisted of providing for the dyeing of imported farm fuel at border points during the crop season plus a permanent location at Emerson which was operational for most of the year.

A method of ensuring that marked unleaded gasoline was readily available to Manitoba farms was developed and implemented in April, 1987.

The Mine and Mineral Assessors Audit Manual (Canadian Provinces) was updated dealing with new issues and concepts. This was presented to the other provinces at the Annual Meeting of Provincial Mine Assessors held in Nova Scotia in June, 1988.

Meetings were held in Halifax and Winnipeg with the Interprovincial Sales Tax Arrangement (ISTA) — Fuel Tax Committee and representatives of The Canadian Council of Motor Transport Administrators. From these meetings a jointly developed new form was established "Single Application Vehicle Registration" (SAVR) for implementation July 1, 1988. We also opened the lines of communication between our department and the Driver and Vehicle Licencing Division to share information on truckers operating in Manitoba and provided input to the Driver and Vehicle Licencing Division on our concerns with the new SAVR computer system that was being developed.

We completed our joint study with the Department of Agriculture on an alternate tax exempt fuel delivery system to farmers as compared to the present dyed fuels system. Further studies are still in progress in light of the results and feedback from the joint study report.

Although started in the previous years, the new Oil and Gas Production Tax Act was finally developed and implemented. The new Act will result in simplified reporting procedures for the oil companies and simplified administrative procedures for the Mining and Use Taxes Branch.

The Branch was successful in defending an appeal made by Simplot Chemicals Ltd. to the Manitoba Court of Appeal under The Revenue Act, 1964 on the taxation of natural gas which they consume. Significant amounts of revenue would have been lost if we had been unsuccessful as this case would have impacted on the tax remitted by other taxpayers in other industries.

During the year an interprovincial joint audit of a major tobacco manufacturer was completed and another one started. The provinces of Quebec, Ontario and Manitoba provided staff to conduct both audits. These audits provided us with the opportunity to review and evaluate first hand the national tax memo system, which is the primary basis of tax reporting in Canada.

As a result of the Annual Canadian Sales, Fuels and Tobacco Tax Conference, a Tobacco Tax Sub-Committee was formed. Meetings were held with the three major tobacco manufacturers regarding concerns raised by both sides and a simpler tobacco tax reporting system is close to being finalized which will represent savings to industry and government.

The Corporation Capital Tax/ Health and Post Secondary Education Tax Levy Branch

The Corporation Capital Tax/Health and Post Secondary Education Tax Levy Branch operated in 1987-88 at a cost of $1,907,500, a 5.9% increase over 1986-87, with 50.48 staff years. The Branch's revenue for 1987-88 amounted to $245,920,439, a 47% increase over 1986-87. Included in 1987-88 revenues is $2,181,762 of audit and compliance recoveries.

The Branch administers the following statutes:

The Corporation Capital Tax Act — imposes a tax upon corporations on paid up capital at year-end as defined in the Act. This, in general terms, is equal to "net funds" invested in corporations. "Funds" include all types of investments such as mortgage and loans and shareholders' equity. If the taxable paid up capital is less than $1,000,000 the corporation is exempt. Revenues from this source in 1987-88 amounted to $58,382,529. The rates as at March 31, 1988, were: General Rate 3/10ths of 1%, Surtax of 2/10ths of 1% on taxable capital in excess of $10,000,000, Banks 3% and Trust and Loan Corporations 3%.

The Health and Post Secondary Education Tax Levy Act — imposes a tax upon employers based on the total annual gross remuneration paid to their employees. Employers who paid remuneration of less than $50,000 annually were exempt up to December 31, 1986. The exemption level was raised to $100,000 on January 1, 1987. Revenues from this source in 1987-88 amounted to $187,537,909. The tax rate as at March 31, 1988 was 2.25% and was effective April 1, 1987.

The Corporation Capital Tax Roll indicates the following distribution as at March 31, 1988:

Active filers	6,979
Exempt accounts	27,322
Other (missing year ends, terminated)	11,002
Total taxpayers on file	45,303

The Health and Post Secondary Education Tax Roll indicated the following distribution as at March 31, 1988:

Monthly remitters (1)	7,407
Seasonal remitters (1)	639
Exempt accounts (2)	34,714
Other (inactive, no commencement date, terminated)	25,141
Total taxpayers on file	67,901

(1) Monthly and seasonal taxpayers file a Health and Education Tax Return monthly or as required.

(2) Exempt taxpayers file "Annual Declaration of Salaries Paid" returns.

Comparative Statement of Revenues

For Fiscal Years Ending March 1984 to March 1988

	1984 $	1985 $	1986 $	1987 $	1988 $
Succession Duties and Gift Tax	445,904	106,220	78,548	100,823	78,521
Gasoline Tax	99,737,708	101,813,336	114,631,043	115,729,776	119,550,305
Motive Fuel Tax	42,025,865	45,426,662	49,579,631	56,956,011	71,561,908
Mining Royalty Tax (1)	10,012,428	—	—	—	—
Mining Claim Lease Tax	76,543	76,410	76,723	74,985	75,033
Tobacco Tax	54,282,604	66,129,090	77,701,549	91,660,199	93,906,690
Revenue Act, 1964, Part 1	29,506,203	32,808,175	34,160,684	32,642,408	41,414,144
Retail Sales Tax	355,553,633	391,338,305	436,790,783	463,027,709	566,998,872
Oil and Gas Production Tax (2)	15,291,637	14,717,310	14,293,355	7,249,097	8,357,582
Mining Tax Act (1)	23,642,514	9,216,867	13,738,676	48,106,236	28,297,000
Corporation Capital Tax	24,121,999	24,483,929	29,628,583	40,571,178	58,382,530
Pari Mutuel Tax	4,620,621	4,720,842	5,272,228	5,080,039	5,193,472
Health and Post Secondary Education Tax Levy	108,142,503	111,143,652	118,850,387	126,578,471	187,537,909
	767,460,162	801,980,798	894,802,190	987,776,932	1,181,353,966

(1) Replaced by The Metallic Minerals Act which was subsequently renamed The Mining Tax Act January 1, 1981.

(2) 1984 to 1986 revenues under The Oil and Natural Gas Tax Act.
This Act was replaced by The Oil and Gas Production Tax Act as at January 1, 1987.

Federal-Provincial Relations and Research Division

The Federal-Provincial Relations and Research Division has as its primary tasks to provide research, technical, and analytical support in respect of national and provincial fiscal and economic matters and intergovernmental financial relations, including cost-shared programs; to administer fiscal arrangements and tax collection agreements with the federal government and to administer tax credit programs with the federal government and municipalities. Major areas of responsibility include intergovernmental financial relations, economic and fiscal policy analysis and tax policy formulation.

The Division is comprised of three branches and an administrative unit:
— Intergovernmental Fiscal Analysis Branch
— Economic and Fiscal Analysis Branch
— Taxation Policy Analysis Branch (which is responsible for the Tax Assistance Office)
— Administrative Unit

Intergovernmental Fiscal Analysis Branch

The Intergovernmental Fiscal Analysis Branch includes five staff positions.

The Branch Director and staff undertake continuing analysis of intergovernmental fiscal transfers, in particular, with respect to personal and corporate income tax collections, federal financing for health and higher education, equalization, reciprocal taxation and some aspects of provincial-local government fiscal arrangements.

Total provincial revenues governed by federal-provincial fiscal arrangements and administered by the Fiscal Analysis Branch in 1987-88 amounted to $988.4 million in personal income tax; $167.0 million in corporate income tax; $620.5 million in equalization payments; $434.1 million in cash payments for health and education; $17.9 million from the Reciprocal Taxation Agreement and $2.2 million in other unconditional subsidies.

The Intergovernmental Fiscal Analysis Branch also provides support in administering $40.0 million in Provincial-Municipal Tax-Sharing Payments.

In addition to providing fiscal analysis necessary for the Minister and Cabinet to develop the Budget, the Intergovernmental Fiscal Analysis Branch was responsible for the production of Budget and Budget-related communications.

The Branch Director and staff represent the Province at Federal-Provincial meetings and on working groups on fiscal data, fiscal arrangements and other Department of Finance issues. In addition, the Branch also serves as the focal point for the review of all government regulations.

Economic and Fiscal Analysis Branch

The Economic and Fiscal Analysis Branch includes four staff positions.

The Branch provides economic and fiscal analysis of national, regional and provincial matters for the Minister and Cabinet, as well as for use by various departments in policy development and Estimates preparation. The Branch monitors and reviews a wide variety of both private and public analyses and forecasts and maintains an extensive information base in order to meet these requirements.

The Branch Director and staff represent the Province on Federal-Provincial committees and working groups and provides support for Ministerial and First Ministers' meetings. As well, the Branch provides interdepartmental co-ordination of economic analysis through the Interdepartmental Economic Outlook Group.

The Branch prepares the Economic Reviews presented with the Budgets, and Financial Reports, as well as extensive major reviews for ministerial and consultative presentations.

An important and ongoing task of the Branch is to prepare major components of Provincial borrowing prospectuses and securities registration statements in regard to economic and financial data and to represent the Province in "due diligence" examinations of borrowing documents. An additional related task is to prepare major presentations for financial institutions and credit-rating agencies and to co-ordinate supporting presentations from other departments of Government.

Taxation Policy Analysis Branch

The Taxation Policy Analysis Branch has five staff years assigned with a further 11.26 staff years available for full and term positions in the Tax Assistance Office.

The Taxation Policy Analysis Branch develops recommendations for taxation policy and for specific tax measures and tax credits. Tax measures are implemented through the Budgets and legislation of the Province and, for income taxes, through the Federal-Provincial Tax Collection Agreement.

The Branch undertakes a wide variety of analytical activities, and for this purpose, maintains current and historical tax data files, and monitors taxation systems across Canada.

The Branch also has responsibility to review and analyse the effects of various federal tax measures and proposals. This work entails participation in Federal-Provincial working groups and ministerial

meetings on these matters. In 1987-88 continuing work on major federal Tax Reform proposals was undertaken. The Branch prepared a number of reports setting out implications of national Tax Reform on the Province.

The Branch Director supervises the Tax Assistance Office and the several programs administered in that office. The office provides direct assistance to over 60,000 clients annually relating to preparation of personal Income Tax returns.

The Tax Assistance Office also undertakes analysis of and controls data files on the tax credit and other income tax related programs of the Province. These programs distributed approximately $210 million to over 450,000 Manitobans in 1987-88.

Administrative Unit

This unit with a staff of four provides administrative support, word processing, filing, cataloguing, research, and other organizational and technical support for the Assistant Deputy Minister and the branches of the Division.

The Treasury Board Secretariat

The Treasury Board Secretariat provides financial and analytical support to Treasury Board, the Minister of Finance, and to Cabinet. The Secretariat was established in February 1987 following the announcement of a strengthening of the role of Treasury Board. To support the new Treasury Board mandate, a Deputy Minister was appointed as full-time Secretary to Treasury Board and a new unit within the Department of Finance was created called the Treasury Board Secretariat.

The major functions fulfilled by the Secretariat include:
— Development and implementation of the annual Estimates process
— Preparation of the annual Estimates of Expenditure and Revenue
— Analysis of departmental Treasury Board Submissions
— Periodic monitoring and reporting on the status of the Province's expenditures and revenues
— Critical review of the Government's expenditure base.
— Maintenance of the General Manual of Administration.
— Administration of the Manitoba Jobs Fund.

During the 1987-88 fiscal year, a Revenue Supplement was developed to provide more detail to the Legislature on the Government's various departmental revenue sources.

The Treasury Board Secretariat is divided into six units:

Administrative Support Services

Administrative Support Services provides administrative and word processing support to all units of the Secretariat, including the maintenance of ongoing secretarial requirements, co-ordination and organization of Treasury Board meetings and requisite agenda and minute material; and coordination and maintenance of the records system for the Secretariat.

Fiscal Planning Office

The Fiscal Planning Office is responsible for developing fiscal strategy and planning options for the Government of Manitoba. This is accomplished through the maintenance of an effective budget/planning cycle within an overall fiscal framework, including the setting of fiscal targets, designing and overseeing the annual Estimates process and continuous monitoring of fiscal status. Financial and operational information is provided to senior management of the Province to facilitate sound financial management of government programming.

Three Analytical Units

Each analytical unit is responsible for providing analysis, advice and recommendations with respect to policy and financial direction for a portfolio of departments. The units ensure that Treasury Board directives are implemented and fiscal targets are met and maintained at a departmental level. Major activities include providing assessments and recommendations on Treasury Board and other Cabinet Committee submissions; monitoring and assessing departments' annual budget proposals, including the preparation of fiscal targets at a program/departmental level; and working with senior departmental personnel to ensure the necessary communication between Treasury Board and departments is maintained.

The three analytical units are:
— Health and Social Services Programs
— Social Development and Security Programs
— Economic Programs

Office of Expenditure Review

The Office of Expenditure Review had its first full year of operation in 1987-88. Responsibilities of the Office include support to the Treasury Board decision-making process through reviews of programs and processes within the expenditure management system and through communication of the delegation of management authority throughout government.

Included in the Office of Expenditure Review are two units. The Expenditure Review unit is responsible for enhancing the Treasury Board decision-making process through the development of options for expenditure reduction, administrative streamlining, and improvements to the expenditure management system. The Administrative Policy unit is responsible for the development, communication and interpretation of policies, procedures and guidelines on administrative matters in a manner consistent with Treasury Board direction.

Expenditure Summary by Appropriation

YEAR ENDED MARCH 31, 1988

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1988

Appro. No.	Service	1987-88 Actual ($'000)	1987-88 Estimate ($'000)	Variance ($'000)
07-1	Administration and Finance	841.2	864.0	(22.8)
07-2	Treasury Division	1,078.5	1,151.4	(72.9)
07-3	Comptroller's Division	3,628.4	3,661.2	(32.8)
07-4	Taxation Division	7,850.7	7,989.3	(138.6)
07-5	Federal-Provincial Relations and Research Division	1,404.4	1,423.7	(19.3)
07-6	Administrative Policy/Insurance and Risk Management	1,080.3	1,315.2	(234.9)
07-7	Treasury Board Secretariat	1,414.1	1,514.8	(100.7)
07-8	Tax Credit Payments	209,525.6	217,100.0	(7,574.4)
07-9	Public Debt (Statutory)	430,708.6	438,223.5	(7,514.9)
07-10	Hydro Rates Stabilization (Statutory)	52,677.1	23,884.7	28,792.4
07-11	Payment of Judgment (Statutory)	404.8	0.0	404.8
	TOTAL	710,613.7	697,127.8	13,485.9

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1988

Appro. No.	Service	1987-88 Actual ($'000)	1987-88 Estimate ($'000)	Variance ($'000)
07-1	ADMINISTRATION AND FINANCE			
	a) Minister's Salary	20.6	20.6	0.0
	b) Executive Support			
	Salaries	314.6	377.2	(62.6)
	Other Expenditures	117.4	93.5	23.9
	c) Financial and Administrative Services			
	Salaries	188.3	179.4	8.9
	Other Expenditures	30.1	34.4	(4.3)
	d) Human Resource Management			
	Salaries	147.3	138.0	9.3
	Other Expenditures	22.9	20.9	2.0
TOTAL 07-1		841.2	864.0	(22.8)
07-2	TREASURY DIVISION			
	a) Salaries	750.1	706.5	43.6
	b) Other Expenditures	324.5	441.9	(117.4)
	c) Soldiers' Taxation Relief	3.9	3.0	0.9
TOTAL 07-2		1,078.5	1,151.4	(72.9)
07-3	COMPTROLLER'S DIVISION			
	a) Comptroller's Office			
	Salaries	86.1	83.8	2.3
	Other Expenditures	3.5	3.4	0.1
	b) Financial and Management Systems			
	Salaries	622.0	698.5	(76.5)
	Other Expenditures	72.5	69.5	3.0
	c) Disbursements and Accounting			
	Salaries	1,677.4	1,623.3	54.1
	Other Expenditures	945.6	961.9	(16.3)
	Recoveries from Other Appropriations	(516.1)	(505.0)	(11.1)
	d) Information Systems Support			
	Salaries	614.7	619.1	(4.4)
	Other Expenditures	185.9	194.0	(8.1)
	Recoveries from Other Appropriations	(63.2)	(87.3)	24.1
TOTAL 07-3		3,628.4	3,661.2	(32.8)

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1988

Appro. No.	Service	1987-88 Actual ($'000)	1987-88 Estimate ($'000)	Variance ($'000)
07-4	TAXATION DIVISION			
	a) Administration			
	Salaries	273.5	270.9	2.6
	Other Expenditures	11.9	12.0	(0.1)
	b) Retail Sales Tax			
	Salaries	2,921.7	2,932.5	(10.8)
	Other Expenditures	524.5	525.9	(1.4)
	c) Mining and Use Taxes			
	Salaries	1,729.5	1,777.6	(48.1)
	Other Expenditures	482.1	492.5	(10.4)
	d) Corporation Capital Tax/Health and Post-Secondary Education Levy			
	Salaries	1,448.7	1,413.0	35.7
	Other Expenditures	458.8	564.9	(106.1)
TOTAL 07-4		7,850.7	7,989.3	(138.6)
07-5	FEDERAL-PROVINCIAL RELATIONS AND RESEARCH			
	a) Economic and Federal-Provincial Research			
	Salaries	809.6	796.7	12.9
	Other Expenditures	256.8	279.3	(22.5)
	b) Manitoba Tax Assistance Office			
	Salaries	283.7	290.3	(6.6)
	Other Expenditures	54.3	57.4	(3.1)
TOTAL 07-5		1,404.4	1,423.7	(19.3)
07-6	ADMINISTRATIVE POLICY/INSURANCE AND RISK MANAGEMENT			
	a) Salaries	253.5	239.1	14.4
	b) Other Expenditures	36.6	40.1	(3.5)
	c) Insurance Premiums	1,770.8	2,002.5	(231.7)
	d) Recoveries from Other Appropriations	(980.6)	(966.5)	(14.1)
TOTAL 07-6		1,080.3	1,315.2	(234.9)

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1988

Appro. No.	Service	1987-88 Actual ($'000)	1987-88 Estimate ($'000)	Variance ($'000)
07-7	TREASURY BOARD SECRETARIAT			
	a) Office of the Secretary			
	Salaries	94.7	83.6	11.1
	Other Expenditures	3.2	3.4	(0.2)
	b) Administration			
	Salaries	189.1	207.3	(18.2)
	Other Expenditures	27.6	27.4	0.2
	c) Treasury Board Support			
	Salaries	791.8	861.7	(69.9)
	Other Expenditures	212.5	130.4	82.1
	d) Long-Term Expenditure Management and Program Evaluation			
	Salaries	72.9	166.0	(93.1)
	Other Expenditures	22.3	35.0	(12.7)
TOTAL 07-7		1,414.1	1,514.8	(100.7)
07-8	TAX CREDIT PAYMENTS	209,525.6	217,100.0	(7,574.4)
TOTAL 07-8		209,525.6	217,100.0	(7,574.4)
07-9	PUBLIC DEBT (Statutory)			
	a) 1. Public Debt Interest and expenses incidental thereto	1,038,371.6	970,104.0	68,267.6
	2. Interest on Trust and Special Funds	55,562.5	64,000.0	(8,437.5)
		1,093,934.1	1,034,104.0	59,830.1
	Less:			
	b) Interest and Other Charges receivable from:			
	1. Manitoba Telephone System	60,949.3	59,182.7	1,766.6
	2. Manitoba Hydro	293,096.1	239,907.9	53,188.2
	3. Manitoba Housing and Renewal Corporation	31,383.4	31,449.1	(65.7)
	4. Manitoba Agricultural Credit Corporation	37,957.8	28,414.2	9,543.6
	5. Other Government Agencies	5,210.2	7,864.4	(2,654.2)
	6. Other Loans and Investments	134,561.4	137,062.2	(2,500.8)
	7. Sinking Fund Investments	100,067.3	92,000.0	8,067.3
		663,225.5	595,880.5	67,345.0
TOTAL 07-9		430,708.6	438,223.5	(7,514.9)

Department of Finance

Expenditure Summary by Appropriation

Year Ended March 31, 1988

Appro. No.	Service	1987-88 Actual ($'000)	1987-88 Estimate ($'000)	Variance ($'000)
07-10	HYDRO RATES STABILIZATION (Statutory)	52,677.1	23,884.7	28,792.4
TOTAL 07-10		52,677.1	23,884.7	28,792.4
07-11	PAYMENT OF JUDGMENT (Statutory)	404.8	0.0	404.8(1)
TOTAL 07-11		404.8	0.0	404.8
TOTAL EXPENDITURES		710,613.7	697,127.8	13,485.9

Unbudgeted Statutory Payment — Explanation

(1) **Payment of Judgment**
Payment of judgment under Section 19 of the Proceedings Against the Crown Act as ordered by the Court of Appeal on July 3, 1986.